GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:785
ANSWERED ON:31.07.2006
COMMODITY FUTURE TRADING
Mollah Shri Hannan

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) the number of commodity exchanges currently operational in India and the details of the commodities, including essential commodities, traded therein;

(b) the number of traders operating in online/futures market;

(c) whether there is any proposal to permit Foreign Institutional Investors (FIIs)/Mutual Funds to invest in commodity futures;

(d) if so, whether any assessment has been made regarding its impact on farming community;

(e) if so, the details thereof alongwith the steps taken to check any adverse affect on them;

(f) whether the relationship between future trading and price rise has also been assessed;

(g) if so, the details thereof; and

(h) the steps taken to properly regulate future trading and entry of FIIs in this sector?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (DR.AKHILESH PRASAD SINGH)

(a) : There are twenty four recognised commodity futures Exchanges, including three National Multi Commodity Exchanges, in India. At present, twenty-two Exchanges are operational. The details of the commodities traded, including essential commodities, in the Exchanges are given at Annexure.

(b) : The average number of traders operating in online commodity futures market is about 7000.

(c) : Ministry of Finance has been requested to initiate necessary action for amending SEBI Mutual Funds Regulations, 1995 and SEBI Foreign Institutional Investors Regulations, 1995 in order to permit Mutual Funds and Foreign Institutional Investors

(FIIs) to participate in the commodity derivatives market. It is expected that the participation of Mutual Funds and FIIs would bring global standards, greater liquidity in the market, breadth of participation and institutional discipline in the commodity derivatives market.

(d) : So far, no assessment has been made regarding the likely impact of participation of FIIs and Mutual Funds in the commodity futures market on the farming community.

(e) : Does not arise.

(f) & (g): So far, no specific study has been made to assess the relationship between futures trading and rise in prices.

(h) : The commodity futures trading is regulated under the provisions of the Forward Contracts (Regulation) Act, 1952. The Forward Markets Commission (FMC), which is the Regulator established under the Act, is keeping a close watch on the functioning of the commodity Exchanges. FMC has prescribed various regulatory measures such as imposition of margin, limit on open position, limit on daily price variation etc. to ensure orderly functioning of the commodity futures market.

ANNEXURE

STATEMENT REFERRED TO IN REPLY TO PART (a) OF LOK SABHA UNSTARRED QUESTION NO.785 F OR 31/07/2006 REGARDING COMMODITY FUTURE TRADING